9

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GROUP MEMBERS. CLEAR CHANNEL RADIO, INC

SUBJECT COMPANY:

COMPANY DATA:
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CENTRAL INDEX KEY: 0000922503
STANDARD INDUSTRIAL CLASSIFICATION: RADIO BROADCASTING STATIONS [4832]
IRS NUMBER: 990113417
STATE OF INCORPORATION: DE
FISCAL YEAR END: 0930

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BUSINESS PHONE: 7023673322

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

terms of the proposed Merger, Clear Channel would convert its Class A common stock in Heftel into newly authorized non-voting Class B common stock. Additionally. it is anticipated that Clear Channel's ownership in excess of 30% of the outstanding shares of common stock of Heftel would be transferred to Heftel. Clear Channel would receive an option to reacquire such shares from Heftel subject to FCC approval.

The combined Heftel/TMS company (New Heftel) would be the only Spanish-language radio company to own and operate Spanish-language radio stations in each of the top-ten Hispanic markets in the United States. New Heftel would own the top rated Spanish-language radio station in eight of the top ten Hispanic markets and would own the top rated radio station in any format in four of the top ten markets (Los Angeles, San Antonio, El Paso, and McAllen/Brownsville/Harlingen) among Adults 25-54 years old. McHenry Tichenor. Jr. would become the Chief Executive Officer of New Heftel which would be headquartered in Dallas, Texas.

Mr. Hays said, "We went forward with the tender offer for Heftel based on a strong belief in Spanish-language radio and the fact that we were uniquely positioned to consolidate the business. We view the merger of Heftel and Tichenor Media System as the most essential step in the process of consolidating the Spanish-language radio industry. We believe that New Heftel's strategic position and the Tichenor management team will create a platform to be a leader in Spanish-language radio. Under Mac Tichenor's management. Tichenor Media System commands the largest audience and revenue Share of any Spanish-language radio operator in each of its markets. TMS primarily did it the hard way. by acquiring and converting English-formatted stations to tap-rated Spanish-language stations. In SO doing, TMS has provided its shareholders a superior return. and we are optimistic that our investment in New Heftel will continue to increase in value under Mac's leadership."

Mr. Tichenor said. "The combination of Heftel and Tichenor Media System will

create the largest Spanish-language radio broadcaster in the United States and the only one with a presence in each of the top ten Hispanic markets. We believe that the combination of these two highly successful, quality-driven companies will allow us to offer exciting and unprecedented opportunities to our audiences. advertisers. employees and shareholders."

New Heftel's radio stations will reach approximately 17.3 million Hispanics. or approximately 63% of the total Hispanic population in the United States. Hispanic households on average are larger younger and growing faster in number than Non-Hispanic households. As a result, Hispanic-related consumer expenditures are expected to outpace the growth in total consumer expenditures in the United States, and Hispanic advertising revenues are expected to grow at a faster rate than radio advertising revenues in the general market.

subsequent to the Merger, New Heftel will be the leading Spanish-language radio company in the United States. The stations of the merged company. including pending acquisitions. will be as follows:

<TABLE>
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HISPANIC MARKET RANK	CITY	HISPANIC POPULATION	HEFTEL STATIONS	TICHENOR STATIONS
<S>	<C>	<C>	<C>	<C>
1	Los Angeles	6,012,000	KLVE-FM, KTNQ-AM	
2	New York	3,278,000	WADO-AM, WPAT-AM	
3	Miami	1,358,000	WAMR-FM, WRTO-FM WAQI-AM, WQBA-AM	
4	San Francisco	1.120.000		KSOL-FM, KYLZ-FM(a)
5	Chicago	1.106.000	WLXX-AM	WOJO-FM, WIND-M
6	Houston	1,078,000		KLTN-FM, KLAT-AM KLTP-FM. KRTX-FM KLTO-FM, KMPQ-AM
1	San Antonio	1,018,000		KXTN-FM, KROM-FM KCOR-AM, KXTN-M
8	McAllen/Brownsville/ Harlingen	803,000		KIWW-FM, KGBT-M KQXX-FM

[redacted]

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EXHIBIT 108

EQUITY RESEARCH–AMERICAS

CS FIRST BOSTON

Industry Broadcasting
August 14, 1996
BC1744

Harry J. DeMott III 212/909-3260
Brendan Maher 212/909-4754

SMALL CAP

Heftel Broadcasting

The King of Spanish Broadcasting

HBCCA

- **Best play on Spanish-language** broadcasting.
- Will **be the consolidation** vehicle for **Hispanic media.**
- **Large market focus**
- **Initiating coverage with a** Buy **recommendation.**
- **12-month target price:** $40.

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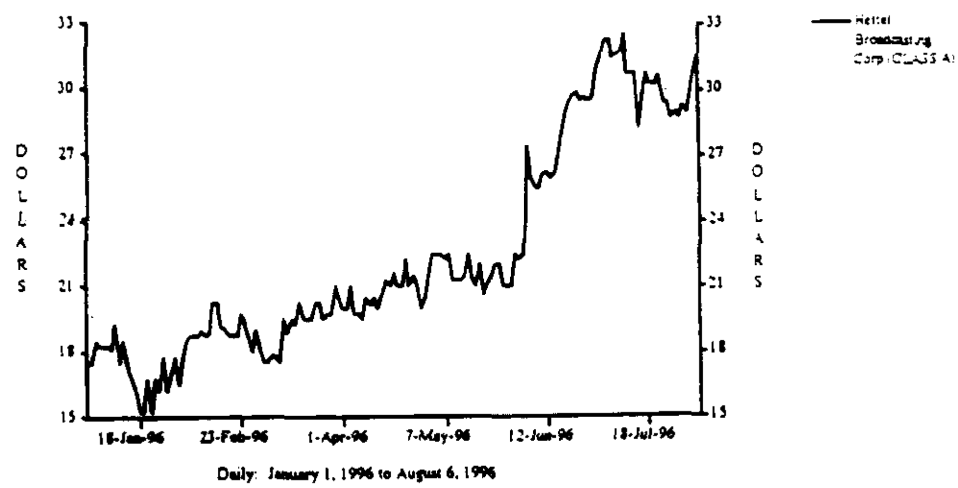
Initiating Coverage of Heftel with a BUY Rating.

Price 8/13/96*	Target (12 Months)	Dividend	Yield	Mkt. Value (Millions)	52-Week Price Range
$32^{3}/_{8}$	$40	—	—	[illegible]	[illegible]
	Annual EPS	**Prev. Est.**	**Abs. P/E**	**Rel. P/E**	**After-Tax Cash Flow/Share**
12/97E	$0.56		32.0X	[illegible]	[illegible]
12/96E	(2.17)		51.5	[illegible]	[illegible]
12/95A	0.34		89.3	[illegible]	[illegible]
	March	**June**	**September**	**December**	**Fiscal Year End**
1997E	$(0.01)	$0.19	$0.23	[illegible]	Dec. 31
Common Shares		17.3 mil			
Book Value/Share (3/96)		NM	*Est. 5-Year EPS Growth*		NM
Return on Equity (3/96)		NM	Est. 5-Year Dividend Growth		—
Debt/Total Capital (3/96)		NM	Total Debt (Pro Forma)		[illegible]

*On 8/13/96 DJIA closed at 5647.3 and S&P Industrials at 780.46.
NM = Not meaningful.

Stock Price Performance

Closing Price



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Viewpoint

We are initiating coverage of Heftel Broadcasting (HBCCA) with a Buy recommendation. Our 12-month target price for the stock is $40.

The "New Heftel" is a pure-play radio station operator, which will own or operate 34 stations in each of the top ten Spanish markets. These are exclusively in Hispanic formats, making Heftel the largest Spanish language operator in the country.

Investment positives include:

- *Spanish Language Format.* Spanish language radio is growing far faster than non-Spanish radio. Over the past ten years, Spanish-formatted stations have grown revenues by 15% per year versus some 8% for the industry as a whole. That 15% is now accelerating, as the Spanish market consolidates and broadcasters reach a critical mass.

- *Largest Broadcaster in This Market.* With an estimated $50 million in pro forma broadcast cash flow in 1997, and with 34 stations, Heftel is the largest Spanish language broadcaster in the U.S. The stock market has always paid a premium for a leader in a field, and HBCCA is just that—a leader.

- *Large Market Focus:* As most of the Spanish-speaking population is located in a number of large urban markets, Hispanic broadcasting tends to be concentrated in these areas. The market generally views large market broadcasters in a better light than their small market brethren, and Heftel should therefore benefit from this bias.

- *Clear Channel Connection.* After the expected addition of Tichenor Media, CCU will hold a minimum of 42% of the fully diluted HBCCA shares. The opportunity to invest alongside Clear is too good to pass up. Heftel should over time, trade much like Clear Channel, except that Spanish language broadcasting is growing faster than non-Spanish broadcasting, arguing perhaps for an even higher multiple.

- *Consolidation.* With CCU involved, there is little doubt in our minds that Heftel will continue to be the consolidator of Hispanic broadcasting in the U.S. In addition, the company may move south of the border, growing its business into Mexico, Latin America, and South America. Consolidators have enjoyed premium multiples in the market, and Heftel should be viewed as just such an animal.

Of course, there are some concerns:

- *Consolidation.* If HBCCA is unable to consolidate ... markets, then it ... be viewed ... its own merits. While we view the stock as attractive even without acquisitions, the company cannot ... to get a premium multiple without them, despite its pre-eminence in the fast-growing Hispanic niche.

At $30, the stock currently trades at 14.8 pro forma times our calendar 1997 broadcast cash flow estimate. *We feel the stock should trade more in line with other consolidators.* If Heftel simply splits the difference between its current after-tax cash flow multiple and that of other consolidators like CCU, the stock would be at $34 per share. On a 1997 broadcast cash flow basis, this same analysis yields a $35 implied price.

Since we are not smart enough to quibble over a dollar or two, we have set our immediate price target at $35. Looking out a year further, our price target is $40. Considering CCU's demand for a 20% return on equity in all of its dealings, investors at $30 should certainly earn an above-market return over the next few years.

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Description

The following is a description of Heftel's core properties:

Table 1
Heftel Station Lineup

Market	Call Letters	AM/FM	Format
New York	WADO	AM	Spanish
	WPAT	AM	Spanish
Los Angeles	KTNQ	AM	Spanish
	KLVE	FM	Spanish
Chicago	WLXX	AM	Spanish
Dallas	KESS	AM	Tejano
	KICI	AM	Tejano
	KMRT	AM	Spanish
	KCKK	FM	Tejano
	KHCK	FM	Tejano
	KICI	FM	Tejano
Miami	WAQI	AM	Spanish
	WQBA	AM	Spanish
	WQBA	FM	Spanish
	WRTO	FM	Spanish
Nassau-Suffolk	WGLI	AM	Dark
Las Vegas	KLSQ	AM	Spanish

Source: BIA

As witnessed by the above table, all of Heftel's formats are Spanish language oriented; however, there are some subtle differences in programming.

The primary divisions of Hispanic music in the U.S. are the Caribbean music found in Miami and most of the East Coast, and the Mexican-influenced music of Texas and California. In addition, there are also some subtle differences between Mexican music and that of other Latin American countries.

Musical types such as banda, norte, and tejano are all forms of Mexican-influenced music. These can be found at Heftel's Los Angeles station as well as at its Texas properties. Salsa music and Latin ballads are more often associated with Caribbean influences, particularly Puerto Rico. As such, these formats are found on Heftel's stations in New York and Miami.

Los Angeles

Los Angeles is the primary driver behind Heftel. The banda/ballads station KLVE has moved up steadily through the ranks, overcoming Spanish Broadcasting's (SBS) cash cow, KLAX, and becoming the number-one-ranked station in the market.

Los Angeles is a city of over 6 million people of Hispanic origin, with just over ten stations truly serving this constituency. KLVE is the only full market FM signal of the ten. While Heftel operates this station quite well from a programming side, the station remains undersold relative to its position in the market, and has significant room for margin improvement.

We estimate that the station operates at margins in the high-40s, while Clear Channel operates much more costly formats in far smaller markets with over 60% margins. Spanish programming is not particularly expensive, and there is no reason for this station not to have higher margins.

The only real competition in the market is the Spanish Broadcasting station, and that company has had its ratings halved in the past year. It will take some time for this competition to heat up again.

New York

The New York market has roughly 3 million Spanish speakers, and only four real stations to serve them. It is as if San Francisco only had four radio stations for the whole city. On the FM dial, Spanish Broadcasting owns two stations, with Heftel relegated to the AM dial. The company makes excellent money off these stations, but until the company can attain a viable FM signal, the field belongs to SBS. We have included HBCCA's AM station in Nassau County to this section, although the station is merely a construction permit at the current time, and has a signal too weak to do any meaningful programming on its own.

It is unlikely that Heftel will be able to enter New York on the FM dial, unless it manages to purchase or merge with SBS. The competition for signals is extremely keen, with the last two available FMs trading for $83 million and $90 million, respectively. With SBS being one of the buyers, it is unlikely the company will relinquish the property for less than that figure. It is also unlikely that any company would pay that much money to become the third Spanish competitor in the market.

Dallas

Heftel has a Spanish fortress in Dallas, with a total of six signals, three FM and three AM. The Dallas market is populated by at about 1 million Spanish speakers, and is served by only seven stations

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We believe that there are both revenue and margin improvements available in Dallas. The opportunities for further expansion in this market are slim, as the market for stations is highly competitive and the cost of stations equally high. Heftel's best chance for additional signals is some sort of swap with an existing player or capitalizing on the looming Westinghouse dispositions. However, given its dominance in the market, we don't feel that further expansion is necessarily needed.

Miami

Miami is certainly one of the most interesting markets as concerns Spanish language radio. The market is considered a must-have for broadcasters, despite the cutthroat competition that has evolved here. There are perhaps 1.4 million people of Hispanic origin, yet there are over ten stations serving this community. This makes little sense to us.

The market is currently led by Russ Oasis, whose two stations probably cash flow in excess of $10 million. (Not bad for a $30 million investment.) SBS has a station in the market that likely loses money. Heftel, despite its larger revenue base, does not do much better. The company probably has $50 million worth of stick stations in the market, and certainly needs no more.

Its two FM stations are respectable competitors in the market and provide niche programming to the Spanish language community. These stations have meaningful positive cash flow. The AM stations are another matter entirely. In the first few months of this year, these AM properties sold $5 million of advertising. Unfortunately, costs matched expenses, including substantial promotional spending. We expect to see a return to positive cash flow under new management.

The best opportunity for Heftel might just be to bite the bullet and purchase Oasis, taking the Heftel stations out of the format and easing competition for listeners in the market.

Las Vegas

While the Spanish-speaking population of Las Vegas is not large, there are plenty of Spanish-speaking tourists who visit the Mecca of gaming. Heftel's station in the market is marginal at best, and will probably be sold to a player like American Radio Systems that is consolidating the market. In the meantime, the station hums along nicely, doing perhaps $100,000 in cash flow per year.

Heftel Network

Heftel also programs and operates a Hispanic network. While this concept certainly makes sense, the results to date don't fully do it justice. Currently, the network is losing some $2 million per year, and with the limited station lineup available to the former Heftel management, a turnaround seems unlikely.

Our best guess is that new management will pare back costs until it consolidates a sufficient percentage of the market, and then, and only then, resurrect the network in a more limited form.

Management: Already in Town

The question of who will run this company was answered on July 9 when Heftel announced its intended merger with Dallas's Tichenor Media System. HBCCA confirmed our suspicions that it would either purchase or merge Tichenor Media into Heftel, and turn the reins of the company over to MacHenry "Mac" Tichenor. Clearly, the managers at CCU have little Spanish-broadcasting experience, and do not profess an expertise in the subject. This happens to be one of the strengths of CCU management: the ability to realize where their strengths lie, and when lacking an ability, finding someone with the requisite talents.

The Tichenor group was started many years ago (in the 1950s) by the grandfather of "Mac" Tichenor. The company is located in Dallas, and will probably throw off some $14 million in cash flow in 1997, before losses from two start-up stations and an emerging Spanish language version of MTV.

The important thing about this deal is the level of trust between the two family-run companies. Despite public shareholders, CCU is run very much in a private mold with an emphasis on increasing shareholder value, and investors have benefited through the years. The Mays family is known as being excellent broadcasters in all senses, and are thought of as honest, personable people with whom to do business. The same could be said for the Tichenors, although they have not expanded nearly as far.

This is truly a match made in broadcasting heaven.

The most impressive fact about this combination is *that Heftel will have the dominant Spanish language* presence in eight of the top ten Spanish language markets. *Only Miami (Oasis) and New York (SBS)* would remain to be consolidated in a truly meaningful fashion. *Oasis should be a seller in the long run,* as it already announced a deal with Paxon, only to *have it fall apart. SBS could be a tougher nut to* crack. Management here has ambitious expansion *plans and could* demand an extremely hefty price for the only FM-FM Spanish duopoly in New York. Recently, however, SBS has fallen on tough times, which could ameliorate the process.

Table 2

Tichenor Media Station Lineup

Market	Call Letters	AM / FM	Market
Chicago	WIND	AM	3
	WOJO	FM	3
San Francisco	KSOL	FM	4
Houston	KLAT	AM	9
	KMPQ	AM	9
	KLTN	FM	9
San Antonio	KCOR	AM	34
	KROM	FM	34
	KXTN	AM	34
	KXTN	FM	34
McAllen-Brownsville	KGBT	AM	66
	KIWW	FM	66
El Paso	KBNA	FM	72
	KBNA	AM	72
	KAMA	AM	72

Source: CS First Boston.

The Spanish Opportunity

With Clear Channel entering the Spanish language business, many more people will begin to wonder what the exact opportunity is. To us, it is vast.

Currently, more than 10% of the U.S. ***population*** **(29 million) is Spanish speaking by birth, with a larger number of** ***bilingual Spanish speakers,*** **and plenty of immigrants that the census simply doesn't count. This population is growing anywhere from 3 to 5 times as quickly as the Caucasian population, and its demographics are getting better.**

Of the almost $12 billion of radio advertising revenue, only $200 million, or 1.7%, will be directed at this community. While Hispanic-oriented advertising has grown by over 15% per year for the last ten years, the disparity between the population size and the advertising levels is stark. A properly consolidated market will go a long way to redressing this.

For years, it was simple to overlook Spanish advertising, because it was difficult to target audiences; there was no *developed television or radio operators* with the critical mass to demand attention, and the *demographics were perceived to be poor.* Today, however, the Spanish community carries $3?5 billion *in buying power,* representing over 8 million households.[1] Clearly an opportunity that cannot be ignored. Heftel's consolidation of the business should substantially change this.

By using Heftel as a consolidation vehicle, there is no reason why the company could not do 80% of the revenues and produce some $80 *million* in cash flow in the near future. We estimate that the top three players *in Spanish broadcasting*—Heftel, Spanish Broadcasting, and Oasis—will cash flow almost **$90** ***million*** *between them in* 1997. Add in other marginal players and the number starts to reach **$100** ***million. By simply consolidating these players,*** stopping the harmful competition, and serving the markets better, HBCCA could get advertisers to move from a 1.7% weighting in the market to a 5% weighting. This change, coupled with the margins we expect, could produce almost $250 million of cash flow in the near future.

Table 3

Top Ten U.S. Hispanic Markets

Market	Hispanic Population	% of U.S. Hispanic Pop.
Los Angeles	6,012,300	22.1%
New York	3,278,100	12.0
Miami	1,358,100	5.0
San Francisco—San Jose	1,120,100	4.1
Chicago	1,105,900	4.1
Houston	1,078,600	4.0
San Antonio	1,015,000	3.7
McAllen/Brownsville	803,800	3.0
Dallas—Fort Worth	740,000	2.7
El Paso	644,800	2.4

Source: SBS

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[1] DRI 1997 estimates

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Did We Mention Television?

Beyond the obvious consolidation in radio, there are enormous opportunities in other media, most prominently in television. Both Telemundo (TLMD) and Univision (soon to be public) have television stations in the largest markets in the country and are generally butting heads over programming. A rationalization in this market would be beneficial to all involved, and if this rationalization spilled over into radio, the benefits would be magnified.

The ability for any operator to cross-promote is exciting, but in a market like this Spanish broadcasting market, these opportunities are magnified by the lack of outlets. The fact that no Hispanic broadcaster has reached the critical mass to drive meaningful pricing increases stresses the need for a consolidation in Hispanic media that crosses media boundaries. With CCU in the mix with the owners of Telemundo, who are financial in nature, and Univision, who are linked to other large and powerful Hispanic broadcasters, there is a good chance that the economic opportunities will prevail on the players to work in unison.

The Tender

CCU's tender for all outstanding shares of Heftel at $23 per share expired on August 5. A puzzling sum of almost 300,000 shares was tendered and not withdrawn. As a result, CCU now owns 7.3 million shares of Heftel Class A voting stock, representing 63% of the outstanding shares.

With so much opportunity, the question of why CCU was willing to let 37% slip through its fingers certainly comes up. The answer is CCU wants to keep the company separate as a consolidation vehicle for this marketplace. In addition, it will use the public currency to compensate the management it brings in (i.e., Tichenor) through stock in a pure-play Hispanic broadcaster, not a small subsidiary of a larger broadcast entity. In fact, we believe the separate stock was critical in the ability to merge Tichenor with Heftel.

What many people don't understand about the Spanish broadcast market is that it is dominated by family-owned-and-operated companies. These companies wish to remain in "friendly" hands, and the ability for CCU to help realize each manager's dream of a large Hispanic broadcasting empire is powerful.

We believe that many owners, including CCU, realize that it is better to be a smaller owner of a blockbuster investment than a full owner of an okay investment. A consolidated Hispanic broadcasting investment is truly a blockbuster, yet no one but a CCU could put it together. If the other companies could, they would have. If Evergreen Media were confident in its ability to put together all the pieces, it would have topped CCU's bid. It is only because CCU is able to bring together parties that would otherwise wish to fight that the opportunity is so vast.

Financials

The Past: 1996

We are taking the view that 1996 is done with and that investors should take the long view and focus on 1997. The company, which had a September year-end, will be a calendar year company going forward.

1996 will have seven months under the former management team. It should include plenty of losses from the network, severance costs for the current management on top of the cash they are being paid for their stock holdings, and other noncash restructuring charges. We have assumed that Tichenor gets folded in at the end of first quarter 1997, although, if we were the betting types, we'd wager that HBCCA will do a deal or two by year-end.

In addition, it is likely that CCU will renegotiate the bank debt, resulting in more one-time charges relating to unamortized bank fees. In other words, 1996 will be a big financial mess, with little revealing information for the investor.

What should be revealing is the market positions of the stations and the revenues and cash flows that they generate at the station level, if one were able to strip out extraneous costs, which we're not fully confident we can do.

That all being said, or written as the case is, net revenues should be in the $80 million range with margins at the stations in the 35% range, leaving broadcast cash flow of $24 million. This, of course, includes some $2 million of losses associated with the network. All of these figures are for calendar year 1996.

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Corporate overhead, depending on whether or not the severance costs are included, will be variously $4 million or $14 million, far too high for a company of this size. Depreciation and amortization should come in at the $6 million range. Interest expenses, pegged at LIBOR plus 200 basis points, could be almost $10 million, on the roughly $135 million in debt outstanding.

Earnings per share, without all the charges, could be $0.59, however, with the charges taken, the company will shoa 3 loss of at least $1.10 per share—and probably more.

Without the extra items, after-tax cash tlau per share could be in the $1.15 range, up 46% from the year before.

The Near Present: 1997

.997 will bc the Arx vear that both Hcftcl and Tichenor assets fall under common control and we believe CCU's influence during the budgeting cycle—usually October or November—will be beneficial.

We arc expecting pro forma revenues to aggregate $130 million. If there is work to be done, it is on the cost line. We arc estimating costs to be flat to down, as the company cuts back promotion to a more reasonable level, sheds most of the losses at the network, and reins vi management expenses.

A company operating Spwsh stations in the size markers that Hcftcl is in should have a minimum of a 50% broadcast cash flow margin as a goal. We espcct HBCCA to bring margins to the 40% rangc in 1997, driving cash flow to $50 nullion pro forma.

With Tichcnor, the combined company should have corporate overhead in the $4 million range. Interest rates should come down to LIBOR plus 150 to 200 basis points, amounting to roughly $16 million. Depreciation and amortization should continue in the $11 mullion range.

The company has $15 million in NOL available for its use, but with the change in control, there is a possibility that HBCCA will be limited in their use. We have kept a 42% tax rate vi our model from a reported basis, and have then subtracted roughly $1 million to show the effect of the NOL. We do recapture some of this tax effect on the cash flow statement.

The net result of this financial report could be earnings per share in the $0.95 range and, more importantly, after-tax cash flow in the $1.55-1.6 range, up some 40% from 1996.

Since Tichcnor won't be folded in until the end of the first quarter, the actual reported numbers will be different. Broadcast cash flow should be in the $4n million rangc, with EPS and ATCF coming in at $0.56 and $1.19, respectively.

Financial Dreaming: Acquisitions Galore

It is an interesting exercise to look at the company as if Hcftcl ucrc able to complete all of the deals mentioned in this report. Prc forma broadcast cash flow for Hcftcl plus Tichenor and Oasis could top 560 mullion in 1997. Assuming the same corporate overhead as before, we gci to an EBITDA number of $58 mullion.

Assuming Hcftcl purchases the Oasis assets for cash adds an estimated $100 million to debt. Depreciation and amortization would mushroom to $22 million, leaving $11 nullion in pretax income.

After-tax cash flow per share would thcrcforc be in the $1.75 rangc. With 3 CCU-like multiple on a broadcast cash flow number of $60 nullion, the stock could trade over 542 per share within a year.

Cash Flows

Heftel is still a radio company and, as such, suffers from a severe glut of free cash flow. In so much as both CAPEX and working capital here are minimal, and that working capital needs arc quite small, free cash flow generation and, thcrcforc, dcbi paydown should be prodigious. In fact, the company retains some 510 million in working capital in the deal, partially offsetting the $10 nullion in net severance pad to exiting management.

We have taken the NOLs in an aggressive fashion, recapturing most of the tax benefits in the first three years. In addition, we have used all free cash available to pay down debt.

From this we expect some $1.17 per share in free cash flow to be generated by the company in 1996, despite the setbacks. This number should grow nicely to over $1.42 per share in 1997, when the company will hopefully start hemorrhaging free cash.

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Valuation

At its current price, Heftel trades at roughly 14.8 times our calendar 1997 broadcast cash flow estimate. CCU, in contrast, trades at 16.3 times our 1997 estimate. One could argue that CCU was overvalued and Heftel correctly priced, but we wouldn't dare. We are firm believers that CCU deserves every multiple point it gets, and that HBCCA will start trading more like CCU and less like its former self. If the market merely accords it a multiple halfway between itself and CCU, the stock should be $35 today, moving up to $40 in 12 months.

On an after-tax cash flow basis, the case is equally compelling. Looking at our 1997 estimate of $1.58 per share gives us a price target in the $35 range today, moving up to $39 in 12 months on the $1.76 expectation for 1998.

discounted cash flow analysis also confirms that the stock is currently undervalued. Using a 20-year DCF with 7.5% long-term growth in free cash flow yields a price target in excess of $40. Given the growth in Spanish broadcasting, we would expect this to be low.

Based on these factors, we feel that HBCCA should trade in the mid $30s today, moving up to $40 within 12 months.

Some Philosophy On Valuation

Since we have recently been involved in an offering for CCU, the question of what is the proper way to value these companies certainly has come up. We view free cash flow as the best method, but barring all the calculations, multiples of after-tax cash flow work fine as well. Essentially, a multiple of after-tax cash flow takes into account the absolute level of cash being generated today, the likely growth rate of that cash flow in the future, and a terminal growth multiple of that free cash flow discounted back into today's dollars.

As such, it is a handy shortcut. We would argue strenuously that CCU deserves the multiple it gets for a few simple reasons. It has grown after-tax cash flow at over 40% for the past five years, and 1997 is likely to be no different. The company has market positions that are the envy of the industry, making that growth all the more predictable, thus increasing the multiple that one might pay for that stream. In addition, and of paramount importance, is the fact that CCU has been able to reinvest capital in high return businesses, especially this year, giving investors confidence that the growth rate will continue far beyond 1997. Doing a long-term discounted cash flow analysis shows that the market is imputing a 12% growth rate in free cash flow from current assets long into the future. As the company is now set up, this is entirely possible, especially if one considers the possibilities of releverage and stock buybacks.

So how does this relate to Heftel? In every way.

We are arguing for a higher after-tax cash flow multiple for the company. Demographics dictate that revenues at this company should grow faster than at CCU, all things being equal. With the same cost controls, cash flow should grow faster as well. Competition is less fervent in this sector, arguing for a long competitive advantage period. This is especially true if HBCCA is able to consolidate the market, as we expect it will. Thus, HBCCA's after-tax cash flow growth could exceed CCU's over time, and it could be more steady, although the opportunities for reinvestment over time might not be as great in the U.S. Fortunately for HBCCA, there is a large Spanish-speaking community just south of the Rio Grande, and it stretches clear to Tierra del Fuego. We have little doubt that there are significant opportunities for HBCCA to pursue south of the border.

With all that said, we believe it is clear that HBCCA should be accorded a multiple in line with CCU, if not exceeding it over time. If this becomes the case, as we expect it will, any investor purchasing stock today is in for one heck of a ride.

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Conclusion

We would guess that there are very few times in anyone's career when one can bring their entire massed knowledge of a subject to bear on a problem and see it as clearly as we believe we see HBCCA. The opportunity, in our estimation, is enormous—the downside is minuscule in comparison.

Demographics are working for the shareholder, as are consolidation, excellent management, and financial engineering. Few companies we know of have as much going for them, without the risks of paradigm shifts, i.e., the Internet, or the risks of technological obsolescence.

We believe that attention to cost controls, a fast-growing revenue segment, consolidation of a segment in dire need of it, less expensive interest costs, and further investment opportunities should all combine to provide superior after-tax cash flow growth for years to come.

We are initiating coverage of Heftel Broadcasting with a Buy and a 12-month price target of $40.

N.B.: CS First Boston Corporation has, within the last three years, served as a manager or co-manager of a public offering of securities for Clear Channel and Spanish Broadcasting and makes a primary market in issues of American Radio and Heftel. Closing prices as of August 12, 1996.

American Radio (AMRO, 34 [illegible])
Clear Channel (CCU, 34 ¼, Buy)
Evergreen Media (EVGM, 46 [illegible], Buy)
Paxson (PXN, 12 [illegible], Not Rated)
Telemundo (TLMD, 26, Not Rated)

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Table 4

Annual Profit and Loss Model

$ in thousands, except per share data

Heftel Broadcasting Fiscal Year Ended Dec 31 ($ '000)	1993A	1994A	1995A	1996E	1997E	1998E
Gross Revenues	24,518	31,685	77,268	90,110	138,432	[illegible]
Less Commissions	3,187	3,955	8,850	10,368	15,319	[illegible]
Net Revenues	21,331	27,729	[illegible]	[illegible]	[illegible]	[illegible]
Station Operating Expenses	11,949	15,885	47,963	55,850	77,056	83,786
Broadcast Cash Flow	9,382	[illegible]	[illegible]	23,891	[illegible]	[illegible]
Corporate Expenses	2,529	3,454	4,720	4,500	4,600	[illegible]
Operating Cash Flow (EBITDA)	[illegible]	[illegible]	[illegible]	19,391	[illegible]	[illegible]
Depreciation & Amortization	1,760	1,948	3,587	6,000	10,900	[illegible]
Operating Income	5,093	6,443	11,947	13,391	30,357	[illegible]
Interest Expenses	2,312	2,997	6,390	10,141	15,965	[illegible]
Net Income in Equity of J.V.	746	616	0	0	0	0
Other/Unusual Items	(534)	(3,145)	(548)	(45,800)	0	0
Pre-Tax Income	2,993	917	5,009	(42,550)	14,392	[illegible]
Reported Tax Liability	272	100	150	(19,121)	4,795	10,519
Extraordinary Items	0	0	0	0	0	0
Net Income	2,721	817	4,859	(23,429)	9,597	17,502
Preferred Stock Dividends	0	0	2,861	0	0	0
Minority Interest	0	(352)	(1,167)	0	0	0
Net Income to Common	2,721	466	831	(23,429)	9,597	17,502
After Tax Cash Flow	4,481	2,765	8,447	9,571	20,497	28,332
Average Shares Outstanding	4,638	5,385	10,805	10,800	17,255	17,380
Net Income Per Share	$0.59	$0.15	$0.45	($2.17)	$0.56	$1.01
Minority Interest Per Share	$0.00	($0.07)	($0.11)	$0.00	$0.00	$0.00
Reported *EPS*	$0.59	$0.09	$0.34	($2.17)	$0.56	$1.01
After Tax Cash Flow Per Share	$0.97	$0.51	$0.78	$0.89	$1.19	$1.63
Margin Analysis						
Broadcast Cash Flow Margin	44%	43%	42%	30%	37%	41%
Operating Income Margin	32%	30%	36%	24%	34%	37%
Pretax Margin	14%	3%	18%	-53%	12%	20%
Net Income	13%	3%	11%	-29%	8%	12%
After Tax Cash Flow	21%	10%	26%	12%	17%	20%
% Change Year Over Year						
Net Revenue		29%	33%	17%	54%	15%
Broadcast Cash Flow		26%	42%	18%	92%	26%
Pretax Income		-69%	3443%	-949%	-134%	95%
Net Income		-70%	-275%	-582%	-141%	82%
After Tax Cash Flow		-38%	-662%	13%	114%	38%

CS First Boston

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Table 5
Quarterly Profit and Loss
$ in thousands, except per share data

Heftel Broadcasting - Quarterly P&L Fiscal Year Ended Dec. 31 ($ '000)	Q1 1997E	Q2 1997E	Q3 1997E	Q4 1997E	1997E
Net Revenues	22,000	34,000	34,000	[illegible]	[illegible]
Station Operating Expenses	16,500	20,400	19,600	20,556	[illegible]
Broadcast Cash Flow	5,500	13,600	14,400	[illegible]	[illegible]
Corporate Expenses	1,100	1,100	1,100	1,300	[illegible]
Operating Cash Flow (EBITDA)	4,400	12,499	13,300	[illegible]	[illegible]
Depreciation & Amortization	2,000	3,000	3,000	2,900	[illegible]
Interest Expenses	2,750	4,500	4,450	4,265	[illegible]
Other	0	0	0	0	0
Pre-Tax Income	(350)	4,999	5,850	3,592	[illegible]
Reported Tax Liability	(117)	1,666	1,949	1,296	4,795
Minority Interest	0	0	0	0	0
Net Income	(233)	3,333	3,901	2,596	[illegible]
Extraordinary Items	0	0	0	0	0
After Tax Cash Flow	1,767	6,333	6,901	5,496	[illegible]
Average Shares Outstanding	17,255	17,255	17,255	17,255	17,255
Net Income Per Share	($0.01)	$0.19	$0.23	$0.15	$0.56
Extraordinary Item Per Share	$0.00	$0.00	$0.00	$0.00	$0.00
Reported EPS	($0.01)	$0.19	$0.23	$0.15	$0.56
After Tax Cash Flow Per Share	$0.10	$0.37	$0.40	$0.32	$1.19
Margin Analysis					
Broadcast Cash Flow Margin	25%	40%	42%	38%	[illegible]
Operating Income Margin	20%	37%	39%	34%	34%
Pretax Margin	-2%	15%	17%	12%	12%
Net Income	-1%	10%	11%	8%	8%
After Tax Cash Flow	8%	19%	20%	17%	17%
% Change Year Over Year					
Net Revenue	20%	109%	54%	43%	54%
Broadcast Cash Flow	62%	810%	26%	63%	92%
Pretax Income	-75%	-244%	-15%	-109%	-134%
Net Income	-84%	-196%	-30%	-111%	[illegible]
After Tax Cash Flow	-1346%	-421%	-2%	-125%	[illegible]

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Table 6
Cash Flow Model
$ in thousands, except per share data

Heftel - Cash Flow Model ($ '000) Fiscal Year Ended Dec. 31	1993A	1994A	1995A	1996E	1997E	1998E
Net Revenues	21,331	27,729	68,218	79,741	122,913	141,527
Broadcast Cash Flow	9,382	11,845	20,255	23,891	45,857	57,741
Operating Cash Flow	6,853	8,391	15,534	19,391	41,257	53,041
Cash Interest Expense	1,752	3,628	5,118	10,141	15,965	14,220
Cash Taxes	4	339	79	(23,121)	795	8,519
Capital Expenditures	670	403	4,011	3,500	2,500	2,750
Other Expenses	3,145	548	45,800	0	0	0
Free Cash Flow	1,282	3,473	(39,474)	28,871	21,997	27,552
Working Capital Needs	3,468	3,381	3,448	960	3,598	1,551
Unlevered Free Cash Flow	302	5,244	(35,654)	42,311	41,070	46,193
Cash For Debt Repayment	(2,186)	92	(42,928)	27,911	18,400	26,001
Beginning Debt			59,259	96,732	135,000	189,600
Acquisitions and Loans			37,473	38,268	73,000	0
Ending Debt			96,732	135,000	189,600	163,599
Average Debt Outstanding	0	0	77,996	115,866	162,300	176,600
Free Cash Flow Per Share	($0.47)	$0.02	($3.97)	$2.58	$1.07	$1.50

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Table 7
Valuation Model
$ in thousands, except per share data

Heftel Discounted Cash Flow Analysis

Weighted Average Sha	17,255			
Stock Price	$30.38			
	Amount	% Of Total	After Tax Cost	Weighted Cost
Debt	189,600	26.57%	4.35%	1.16%
Equity	524,121	73.43%	13.60%	9.99%
Total	713,721		WACC	[illegible]
Current Yield On HBCCA Debt		7.50%		
Government Bond Yield (30 YR. T-Bill)		7.10%	5.40%	
Equity Risk Premium		5.00%		
Specific Risk Premium To HBCCA		1.50%		
PV of Current Stream		470,217		
PV of Future Stream		610,182	7.5%	
Total Enterprise Value		1,080,399		
Minus Current Debt		189,600		
Equity Value		890,798		
Value Per Share		$51.63		
Discounted @ 20%		**$41.30**		
Upside To Target		[illegible]		

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Chart 1
Spanish Broadcasting Map

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CS FIRST BOSTON

Americas

Park Avenue Plaza
55 East 52nd Street
New York, NY 10055, U.S.A.
(1) 212 909 2000

Atlanta	(1) 404 656 91W	Mexico City	525 202 5000
Boston	(1) 617 556 5500	Philadelphia	(1) 215 851 1000
Buenos Aires	(1) 541 394 3100	Portland	(1) 207 780 6210
Chicago	(1) 312 750 3000	San Francisco	(1) 415 765 7000
Houston	(1) 713 220 6700	São Paula	(55 11) 822 4862
Los Angeles	(1) 213 253 2000	Toronto	(1) 416 947 2600

Europe

One Cabot Square
London E14 4QJ, England
44 171 516 1616

Amsterdam	(31) 10 575 4444	Paris	(33) 1 40 76 8888
Budapest	(36) 1 202 2188	Prague	(42) 2 248 10937
Frankfurt	(49) 69 7534 0	Vienna	(43) 1 512 3023
Geneva	(41) 22 7070130	Warsaw	(48) 2 630 5656
Madrid	(34) 1 395 9988	Zug	(41) 41 726 1020
Milan	(39) 2 77702 1	Zurich	(41) 1 335 -220
Moscow	(7) 501 967 82W		

Pacific

Shiroyama Hills
4-34 Toranomon
Minato-ku, Tokyo 105, Japan
813 5404 9000

Auckland	(64) 9 302 5500	Seoul	(82) 2 199 7355
Beijing	(86) 10 501 4508	Singapore	(65) 226 5088
Hong Kong	(852) 2847 0388	Sydney	(61) 2 394 4400
Melbourne	(61) 3 280 1666	Wellington	(64) 4 474 4400
Osaka	(81) 6 243 0789		

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

MIAMI DIVISION

CASE NO.: 02-21755-CIV-SEITZ

SPANISH BROADCASTING SYSTEM, INC.,

Plaintiff,

vs.

CLEAR CHANNEL COMMUNICATIONS, INC., and HISPANIC BROADCASTING CORPORATION,

Defendants.

---

100 Southeast Second Street
Miami, Florida
January 13, 2003
1:32 p.m. - 5:41 p.m.

VIDEOTAPED DEPOSITION

OF

JASON SHRINSKY

VOLUME II

MS. HARRIS: Okay. I'll ask a couple questions and we'll go off.
BY MS. HARRIS:
Q. How long did the meeting in San Antonio last?
A. I can't -- I would be guessing because -- an hour, hour and a half. It wasn't a whole morning or whole afternoon. I would say hour, hour and a half.
Q. Did you meet at Clear Channel's corporate headquarters?
A. Yes, ma'am.
Q. How long did the meeting in New York with Mr. Lowry Mays last?
A. I didn't have a meeting with Lowry Mays in New York.
Q. I'm sorry, Mr. Randall Mays. I apologize.
A. That's all right.
Q. Randall Mays in New York.
A. Ten minutes maybe.
MS. HARRIS: Let's go off the record so the videographer can change his tape and we'll continue.
VIDEOGRAPHER: Off the video record at 3:41.
(Discussion off the record.)
VIDEOGRAPHER: We are back on the video record at 3:43.
BY MS. HARRIS:

Q. To the best of your recollection, what was the discussion with Mr. Randall Mays in New York?
A. It was pretty fairly brief saying, you know, "Look, I talked to my father and the number I thought we could go to we really can't go to. We would be willing to do it for this. Can you persuade Raul to do it?"
And I said, "You know, Randall, there is just no way." And then Randall explained to me his fiduciary responsibility, it's a public company and what you have to do and so forth, and I respectfully listened to what he said. I said, "Randall, I understand, but there is just no way." He said, "Okay, then, we'll buy it on the steps of the bankruptcy court." And we both said ha-ha, and he left and I left. No punches were traded.
Q. So you took Mr. Mays' comment that Clear Channel would buy SBS on the bankruptcy court steps to be lighthearted?
A. No, I took it to be Randall.
Q. What does that mean?
A. Randall, in my opinion, has a different personality than his father and brother. And Randall is a legend in his own mind, in my opinion, unlike his father and his brother. And it was principally telling me, in my opinion, "You don't want to do business my way, fine. You will eventually do it my way."

Q. Isn't it possible that Mr. Randall Mays was making a light joke?

MR. DWYER: Object to the form.

A. No. Not in my opinion. I was standing next to him, and the way he said it, I don't think it was a light joke.

BY MS. HARRIS:

Q. Was it possible that Mr. Randall Mays was referring to a real concern, given the highly debt leverage nature of SBS at that time?

A. No, not in my opinion. The reason being is that the end of the day, because of something called an FCC license, it's very difficult, unlike if you owned a building, to go into the bankruptcy court, if somebody filed a Chapter 11, and tell the judge, "You should throw these people out that have been operating it and let us go forward and we are going to buy it."

Heftel attempted to do that. Cecil Heftel attempted to do that at one time because SBS was in default of some payments to what was originally the Bank of New England and then became the New Bank of New England and then became Recoll, one word, Management.

And at the end of the day, the law firm for Heftel explained that, if you are going to do that, they will go into bankruptcy court and Jason will plead that there is no need to upset them as the trustee and you will lose and he will win.

So, Randall is a very smart guy who had nothing to do with the debt. It was pretty common knowledge to people who had taken runs and it was going to happen.

Q. How did you respond to Mr. Mays' remark besides saying ha-ha-ha?

A. I said, "Randall, ha-ha-ha, I'll see you. Say hello to your father for me," which was always my parting words to him was always, "Say hello to your father."

Q. Did you interpret Mr. Randall Mays' comment to be an anticompetitive threat to SBS?

A. I interpreted it to be rather vindictive, and that's what I reported. I don't think for a minute that I think it was an anticompetitive threat because it wasn't in that context. I thought it was a vindictive remark and that's it.

Q. If you will turn now to paragraph 21B?

MR. DWYER: Did you say B or D?

MS. HARRIS: B as in boy. Following page.

A. Yes, ma'am.

Q. In that paragraph, SBS alleges that Mr. Mays called Elizabeth Satin of Lehman Brothers and told her

[redacted]

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MIC-Info: RSA-MD5,RSA,
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CONFORMED SUBMISSION TYPE: 424B3
PUBLIC DOCUMENT COUNT: 1
FILED AS OF DATE: 19990602

FILER:

COMPANY DATA
COMPANY CONFORMED NAME: HEFTEL BROADCASTING CORP
CENTRAL INDEX KEY: 0000922503
STANDARD INDUSTRIAL CLASSIFICATION: RADIO BROADCASTING STATIONS [4832]
IRS NUMBER: 990113417
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 424B3
SEC ACT:
SEC FILE NUMBER: 333-42171
FILM NUMBER: 99638869

BUSINESS ADDRESS
STREET 1: 3102 OAK LAWN AVENUE
STREET 2: STE 215
CITY: DALLAS
STATE: TX
ZIP: 75219
BUSINESS PHONE: 2115257700

MAIL ADDRESS
STREET 1 3102 OAK LAWN AVENUE
STREET 2 SUITE 215
CITY DALLAS
STATE TX
ZIP: 75219
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PROSPECTUS SUPPLEMENT TO PROSPECTUS OATED DECEMBER 24, 1997

2.000.000 Shares

[LOGO]

HEFTEL BROADCASTING CORPORATION

Class A Common Stock

Our Class A common stock trades on the Nasdaq National Market under the symbol "HBCCA." On June 1, 1999. the last reported sale price of the Class A common stock on The Nasdaq National Market was $61.625 per share.

INVESTING IN THE CLASS A COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-5.

DEPOSITION EXHIBIT 48

<TABLE>
<CAPTION>

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO HEFTEL(1)

THE CLASS VOTE OF OUR CLASS B COMMON STOCK MAY LIMIT OUR ACTIVITIES. Clear Channel Communications, Inc currently does not own shares of Class A common stock and therefore is not entitled to vote in the election of our directors. However, Clear Channel does o m all of the outstanding shares of our class B common stock, which has certain class voting rights over certain of our actions. As a result, we may not take any of the following actions without the approval of Clear Channel;

- the sale of all or substantially all of our assets:
- any merger or consolidation where our stockholders immediately prior to ...e transaction would not own a~ least S0% of the capital stock of the surviving entity,
- our reclassification, capitalization, dissolution or liquidation;
- our issuance of any shares of preferred stock;
- the amendment of our certificate of incorporation in a manner that adversely affects the rights of the holders of the Class B common stock;
- the declaration or payment of any non-cash dividends on any class of our common stock; or
- any amendment to our certificate of incorporation concerning our capital stock.

<PAGE>

These provisions could have the effect of delaying or preventing a change in control, 'which could deprive our stockholders of the opportunity LO receive a premium for their shares These provisions could also make us less attractive to a potential acquirer and could result in holders of Class A common stock receiving less consideration upon a sale of their shares than might otherwise be available in the even: of a takeover attempt.

Shares of Class B common stock are convertible into shares of Class A common stock, subject to any necessary regulatory consents. clear Channel would o m approximately 28.7% of our class A common stock if the Class B common stock that it held an March 31, 1999 would have been converted on that dace. Because of the FCC's cross interest policy. which bars a party that holds an attributable relationship in one or more radio stations in a market from having a meaningful relationship with another radio station in that market, Clear Channel may not presently convert all of its shares of Class B common stock into shares of Class A common stock, although the shares of Class B common stock would automatically convert into Class A common stock if Clear Channel sold the shares to another perron.

SALES BY CLEAR CHANNEL MAY AFFECT OUR STOCK PRICE. Clear Channel owns ● significant percentage of our common stock. Any direct or indirect sales of our stock by Clear Channel could have a material adverse effect on our stock price and could impair our ability to raise money in the equity markets.

POTENTIAL CONFLICTS OF INTEREST BETWEEN US AND CLEAR CHANNEL. The nature of the respective businesses of us and Clear Channel gives rise to potential conflicts of interest between us. We are each engaged in the radio broadcasting business in numerous markets, and as a result. in overlapping markets we compete with each other for advertising revenues. Clear Channel's television and outdoor advertising operations also compere with us for advertising dollars in Overlapping markets. In addition. Conflicts could arise with respect to transactions involving the purchase or sale of radio broadcasting companies. particularly Spanish language radio broadcasting companies. the issuance of additional shares of common stock, or the payment of dividends by us. For instance. clear Channel currently owns a 40% equity interest in Grupo Acir Communicacionsa. S.A. de C.V., one of the largest radio broadcasters in Mexico.

Clear Channel hat advised us that it does not currently intend to engage in the Spanish language radio broadcasting business in the United States, other than through its ownership of our shares. However'. circumstances could arise that would cause clear Channel to engage in the Spanish language broadcasting business. For example. opportunities could arise which would require greater financial resources than those available to us or which are located in areas in which we do not intend to operate. Thus. although Clear Channel has indicated that it has no current intention to do so, there can be no assurance that it will not in the future engage in the domestic Spanish language broadcasting business. In addition. Clear Channel may from time to time acquire domestic Spanish language radio broadcasting companies individually or as part of a larger group and thereafter engage in the Spanish language radio broadcasting